

Media Release

MeGroup's 1H2022 operations takes impact from full lockdown

- **Malaysia's third movement control order initiated from May 12 transited to a countrywide full lockdown from June 1**
- **Both Manufacturing and Dealership businesses continue to progress steadily**
 - **To continue to nurture existing and new revenue streams with Malaysia on recovery path**

Singapore, 11 November 2021 – SGX-Catalist listed **MeGroup Ltd.** (“**MeGroup**” or the “**Company**”, and together with its subsidiaries, the “**Group**”) today announced its financial results for the half year period ended 30 September 2021 (“**1H2022**”).

The Group reported a revenue of RM80.3 million for 1H2022 mainly driven by MeGroup's dealership business, where the sale of automobiles contributed to a larger share of the Group's overall revenue. Revenue for the period under review was RM7.5 million or 8.6% lower as compared to the six months period ended 30 September 2020 (“**1H2021**”).

Gross profit for the period under review was RM5.7 million, which corresponds to a gross profit margin of 7.2%, a decrease from 11.9% in 1H2021. The reduction was largely due to a decrease in the dealership business' after-sales services, where it commanded a higher margin compared to the sale of automobiles.

On a segmental level, revenue from the Group's manufacturing business reduced by RM2.2 million to RM9.5 million in 1H2022. The dealership business also experienced a decline in sales by RM5.3 million to RM70.8 million for the period under review. Both businesses were significantly impacted due to the Malaysian government's third Movement Control Order ("MCO") implemented from 12 May 2021. The third MCO subsequently transitioned into a full countrywide lockdown from 1 June 2021. It was then further extended to become an indefinite countrywide lockdown from 28 June 2021. Minimum components were manufactured and delivered during the MCO, and the dealership showrooms and service centres were also closed for a period of approximately three months from the beginning of June 2021.

While selling and distribution costs remained relatively similar at RM1.9 million in 1H2022 vis-à-vis 1H2021, administrative and finance expenses increased 16.9% and 3.5% respectively.

On a more positive note, other income increased RM0.1 million or 18.0%, from RM0.62 million in 1H2021 to RM0.7 million in 1H2022. This was mostly due to the Malaysian government's Wage Subsidy Program introduced to ease any financial strains on employers and to assist companies in keeping their workforce employed. Other gains also saw an increase of RM0.03 million in 1H2022 from RM0.05 million in 1H2021, which was attributed to a realised forex gain from payment to suppliers.

Overall, the Group reported a net loss attributable to equity holders of the Company at RM4.9 million for 1H2022, as compared to a net profit of RM0.8 million for 1H2021.

Commenting on the 1H2022 results, **Mr Wong Cheong Chee (黄昌智), Executive Chairman and CEO of MeGroup Ltd.** said: "It has been difficult and challenging for us as we navigate an ever-changing and fluid situation. Our manufacturing and dealership businesses continue to be severely impacted by the economic situation in Malaysia, however, we are not disheartened and remain steadfast to adapt according to the situation."

“Despite the headwinds, we have managed to secure new brand principals and new manufacturing contracts in 1H2022. Our dealership business also expanded into the used car sector, adding another revenue stream to the Group. As Malaysia is now on its recovery path, we believe that once the economy reopens fully, MeGroup will be ready for a post-pandemic era. Our focus remains on driving growth for both our manufacturing and dealership businesses, and provide sustainable returns to our shareholders,” added Mr Wong.

The Group recorded net cash used in operating activities of approximately RM2.7 million mainly due to a purchase in inventories to stock up for the resumption of full run production and sale of automobiles amounting to RM4.2 million, and repayment of trade and other creditors amounting to RM2.7 million. These were partially mitigated by payment received from customers in trade and other receivables amounting to RM3.7 million.

Investing activities saw approximately RM2.7 million used for the purchase of new tools and machineries for the manufacturing and dealership businesses, renovation cost from the Honda Kuala Selangor dealership outlet, and the purchase of computers and software. These expenses were partially offset by the proceeds from the disposal of right-of-use assets amounting to RM0.28 million and interest received from financial institutions amounting to RM0.03 million.

Under financing activities, the Group recorded a net gain in cash of approximately RM6.1 million due to a drawdown of bank borrowings amounting to RM12.6 million. This was offset by (i) fixed deposit pledged amounting to RM0.30 million, (ii) repayment of bank borrowings of approximately RM1.1 million, (iii) repayment of lease liabilities including finance lease of approximately RM1.6 million, (iv) dividend paid amounting to RM2.4 million and (v) interest paid of approximately RM1.0 million during the financial period.

Business Outlook

Since the onset of the COVID-19 pandemic, the Malaysia government imposed several MCOs to curb infection rates. The latest MCO which began on 12 May 2021 transitioned into a full lockdown from 1 June 2021, where all non-essential businesses and services had to

temporarily close. The government also ramped up its vaccination programme efforts to inoculate more of its population.

Subsequently, under the country's National Recovery Plan ("NRP"), the government started to ease restrictions since September 2021 in various states to progressively reopen the economy. As at 4 November 2021, the country had achieved a vaccination rate of approximately 75.4%.

The Malaysian Automotive Association (MAA) announced on 18 October 2021 that total registration of new passenger and commercial vehicles in Malaysia was 318,874 units for the first nine months of the 2021 calendar year. This is a decrease of 25,145 units as compared to the same period in 2020. MAA also reported that the total passenger and commercial vehicles produced and assembled in Malaysia over the same period in 2021 was 303,996 units as compared to 315,863 units in the first nine months in 2020.

The automotive sector continues to remain challenging due to a supply chain disruption of chips, which affected sales of certain automobile models. However, as business operations gradually restore, vehicle makers are ramping up production and deliveries. The production and registration of new vehicles in Malaysia for Q4 2021 are expected to further improve with the sales tax exemption of up to 100% for completely-knocked down passenger vehicles and 50% on completely built-up cars being further extended for another six-month to 31 December 2021.

The Group is cautiously optimistic on its business performance given the existing and new projects awarded in the manufacturing segment and the existing and new models launching by various brand principals in the dealership segment. MeGroup continuously looks out for opportunities to expand its product offerings in the automotive sector and build multiple revenue streams.

End

Note: This media release is to be read in conjunction with the announcement issued on SGXNET on the same date.

About MeGroup (<https://me-grp.com/>)

MeGroup Ltd. is a trusted component manufacturer and dealer in the automotive industry.

Under its Manufacturing business, MeGroup specialises in manufacturing 'noise, vibration and harshness' ("NVH") and non-NVH components primarily for the automotive industry in Malaysia. It had also diversified into supplying NVH components to Johnson Controls Hitachi, a heating, ventilation and air-conditioning ("HVAC") manufacturer.

Under the Group's Dealership business, MeGroup owns and operates i) three Peugeot dealerships; ii) two Honda dealerships; iii) one Mazda dealership; iv) one Hyundai dealership; v) one Ford dealership; vi) two Mitsubishi Motors dealerships; and vii) one Proton dealership in Malaysia.

MeGroup maintains long-standing partnerships with its manufacturing customers and is an Approved Supplier to Proton, Perodua, Honda, Mazda, another major carmaker, and Johnson Controls Hitachi. The Group also has established relationships with its dealership principals.

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This press release has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, UOB Kay Hian Private Limited (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual Section B: Rules of Catalyst.

This press release has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this press release, including the accuracy, completeness or correctness of any of the information, statements or opinions made, or reports contained in this press release.

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